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Expert Meeting on Strengthening the Capacity for Expanding
the Tourism Sector in Developing Countries, with Particular
Focus on Tour Operators, Travel Agencies and Other Suppliers
Geneva, 8-10 June 1998
Item 4 of the provisional agenda

REPORT OF THE EXPERT MEETING ON STRENGTHENING THE CAPACITY FOR EXPANDING THE TOURISM SECTOR IN DEVELOPING COUNTRIES, WITH PARTICULAR FOCUS ON TOUR OPERATORS, TRAVEL AGENCIES AND OTHER SUPPLIERS

Held at the Palais des Nations, Geneva,
from 8 to 10 June 1998

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Annex

Attendance 17

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I. AGREED CONCLUSIONS [1]

The Expert Meeting examined ways and means of strengthening the capacity for expanding the tourism sector in developing countries, with particular focus on tour operators, travel agencies and other suppliers; it also considered the relation of air transport and global distribution systems to the tourism sector. The experts reached the following agreed conclusions and recommendations.

A. Addressed to the international community

1. An internationally agreed definition of the tourism sector should be universally applied; this would facilitate the acceptance and implementation of a uniform system of tourism accounting measures ("satellite accounts") which would provide a clear measurement of the role of the tourism sector in economic development and trade. Such a system could then be used in international negotiations on services, for which adequate statistics and policy analysis are a necessary prerequisite.

2. (a) Further liberalization commitments on trade in tourism should be negotiated under the General Agreement on Trade and Services (GATS). An annex on tourism services may be required, comprising, *inter alia*, regulatory issues such as definitions, competitive safeguards, access to information, fair and transparent use of global distribution systems, linkages between tourism and air transport, and security conditions for service contracts.

(b) The relevant provisions of GATS should be fully implemented, or, if necessary, new provisions should be developed, to prevent unfair competition arising from discriminatory practices in the issuance of visas to tourists which favour certain tour operators and travel agents.

(c) Articles IV and XIX of GATS should be effectively applied to the tourism sector, by adopting measures which effectively foster greater participation by developing countries in international trade in tourism services.

3. Effective mechanisms, including mechanisms for joint implementation, to deal with anti-competitive practices in the tourism sector and related sectors should be identified, in order to deal with the effects on trade of contractual practices relating to exclusive dealing, vertical integration and the abuse of dominance, particularly as regards new entrants to the industry.

4. Multilateral and regional financing institutions should give priority to appropriate strategies for the environmentally and financially sustainable development of tourism and related sectors, in particular for financing infrastructure projects, the provision of modern telecommunications services under pro-competitive regulatory regimes, and human resource development activities.

5. International organizations and donor countries should also increase their efforts in training and capacity-building in the field of tourism in developing countries, including the effective use of computer reservation systems, global

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[1] As adopted by the Expert Meeting at its closing plenary meeting on 10 June 1998.

distribution systems and the Internet to maximize their earnings from tourism and to meet international standards.

6. The problems of air access of developing countries, particularly the least developed countries, should be addressed with a view to preventing the marginalization of those countries.

B. Addressed to national Governments

7. Developing-country Governments are invited to foster cooperation and collaboration efforts with the private sector and local communities in the development and management of the tourism sector in order to study, identify and, where necessary, remove obstacles to its development, and in order to better take advantage of the opportunities arising from the high level of growth foreseen for the sector globally.

8. Governments are invited to adopt comprehensive policies to ensure environmental and economic sustainability and to increase the attractiveness and quality of tourism services, including such elements as exchange rates, improved image, human resource development, investment in infrastructure and so on.

9. Developing countries are invited to consider the various options available for financing tourism infrastructure projects, such as government outlays, financing by multilateral and regional financial institutions, concession of services to the private sector through build-operate-transfer schemes, and foreign direct investment. Investment policies should encourage interlinkages between small and medium-sized enterprises.

10. National Governments are invited to review the fiscal treatment of the tourism sector and take the necessary fiscal measures to foster its growth and development, and avoid taxing exports.

11. Governments are invited to ensure that immigration regulations facilitate the movement of tourists and natural persons involved in the supply of tourism services.

12. Governments are invited to develop and, where available, effectively apply competition policy in the tourism and related sectors, by, *inter alia*, prohibiting anti-competitive clauses such as exclusive dealing, import requirements in franchising contracts and the abuse of dominance in air travel.

13. Developing-country Governments are invited to foster the development of regional tourism within the context of regional and subregional agreements, including common tourism and air transport policies.

14. Developed countries are invited to consider the adoption of mechanisms to encourage the export of tourism services by developing countries, including by facilitating the establishment of developing-country tourist offices, fiscal measures and so on.

15. Developing countries are invited to seek the collaboration of tourism authorities and of private-sector experts in formulating their negotiating objectives in the tourism sector and following through the complete process of negotiations, through their respective consultative procedures.

16. Tourism and transport policies should be consistent and mutually supportive. Developing countries are invited to prepare themselves for effective participation in the future multilateral negotiations under GATS and the possible revision of the GATS Annex on Air Transport Services.

17. Special attention should be paid to strengthening the bargaining positions of tourism-service suppliers in developing countries; in particular, Governments are invited to lead efforts to develop new model contracts to use in negotiations with tour operators and other suppliers, which may include, *inter alia*, insurance against non-payment by intermediaries.

C. Addressed to UNCTAD

18. UNCTAD and the World Tourism Organization should continue their collaboration on all aspects of tourism trade and development.

19. UNCTAD should cooperate with the World Tourism Organization and the Government of Tunisia in the organization of an international conference which this country has offered to host, in order to discuss concrete ways and measures to improve the relationship between developing-country tourism-service suppliers and agents operating in the main tourist originating markets, so as to achieve better and more sustainable business operations in the international tourism industry.

20. UNCTAD, in collaboration with the World Tourism Organization and other relevant organizations, should provide technical assistance to developing countries, particularly least developed countries, both at the governmental and business levels, in preparing for negotiations in several forums relating to trade and development in tourism and related services.

21. UNCTAD, in collaboration with the World Tourism Organization and other relevant organizations, should conduct studies on specific issues of interest to developing countries, including: the issue of leakages from the sector; the impact of all-inclusive tours on the financial sustainability of the tourism sector in developing countries; and the development of a model for integrating local communities in the formulation, implementation and management of tourism projects.

22. UNCTAD, with the assistance of the appropriate international organizations, should conduct a study on the feasibility of alternative modalities for including air transport services in plurilateral or multilateral negotiations on services (including a possible revision of the GATS Annex on Air Transport Services), considering, *inter alia:* the implications of adopting trade disciplines partially or completely; the incorporation of a sectoral protocol with trade disciplines; regulatory commitments; and other mechanisms of collective decision-making.

23. Given the importance of air transport services for tourism, and taking into account the provisions of Article V of the GATS Annex on Air Transport Services, the Commission should consider convening an expert meeting on air transport services.

II. CHAIRPERSON'S SUMMARY

A. Formulation of tourism development policies and strategies

1. The importance of tourism can be measured by its share in employment, foreign exchange earnings, investment and fiscal revenues, and by its overall contribution to development. Tourism contributes to development through its spill-over effects on other areas of economic activity, whereby it creates additional social and economic benefits for the tourist-receiving country.

2. Nevertheless, in many countries the tourism sector has not received the attention it deserves in national development policies. The main reasons for tourism not receiving attention commensurate with its economic importance, including in some international organizations, are:

(a) It is a relatively recent industry, as compared to manufacturing and more traditional services;

(b) A common international definition of what constitutes the tourism industry has only recently been adopted. However, there are as yet no internationally accepted standards for measuring the economic impact of the sector. To rectify this, work has been undertaken on the treatment of the tourism sectors in the system of national accounts (through so-called "satellite accounts"). Once this common standard is not only internationally agreed but also universally applied, it will be possible to assess the overall economic importance of the tourism industry in different countries and to draw international comparisons.

3. The formulation and implementation of national tourism development plans and programmes should be undertaken by national Governments in close collaboration - at all stages of the process - with private-sector representatives, as well as local communities and local authorities. Only in this way can the views and priorities of all stakeholders be duly taken into account and the sustainability of projects ensured. This approach also allows for consideration of the interdependency between tourism and the ecological, cultural and social dimensions of countries. Moreover, such collaboration should ensure that large companies support and cooperate with small and local businesses and act in a transparent way.

4. There are important differences in the nature of international tourism demand and tourism flows between different destinations (e.g. business, leisure, transboundary, expatriates, visits to friends and family, religious, cultural, ecological). These differences have to be carefully analysed and duly taken into account when formulating national tourism development strategies. Another factor that has to be incorporated in these strategies is the concept of sustainability in two different dimensions: the economic and the environmental.

5. If adequate tourism development policies and strategies are to be designed and implemented, access to information on the international tourism market and developments in it is essential. This also includes access to information technology.

6. When designing tourism development policies, developing countries should identify and take into account all the barriers which can potentially limit the expansion of their tourism sector. The most important ones are: (i) restrictions on the movement of tourists; (ii) restrictions on the work of professionals in the tourism sector; (iii) limitations to real-estate property rights; (iv) restrictions on the right to manage tourism companies; (v) sectoral regulatory restrictions; (vi) anti-competitive practices stemming from the abuse of dominance by tour operators (including vertical integration, exclusive dealing and refusal to deal); (vii) difficulties associated with the delivery of visas; (viii) limitations in access to and the use of global distribution systems; and (ix) insufficient availability or inadequacy of air transport services to and from tourist-receiving countries.

7. Leakages of foreign exchange earnings are a major obstacle to the positive contribution of tourism to development. Leakage is the process whereby part of the foreign exchange earnings generated by tourism, rather than being retained by tourist-receiving countries, is either retained by tourist-generating countries or remitted back to them. It takes the form of profit, income and royalty remittances; payments for the import of equipment, materials, and capital and consumer goods to cater for the needs of international tourists; the payment of foreign loans; various mechanisms for tax evasion; and overseas promotional expenditures. However, this phenomenon has not yet been adequately studied, and further work needs to be done in order to assess its extent and to identify the mechanisms through which it takes place, as well as to devise strategies to minimize its occurrence.

8. Countries must design policy packages to make themselves more attractive to tourists and to improve the bargaining position of their tourism service suppliers. Tourism service suppliers should adopt marketing strategies which we aimed at:

(a) *Being pro-active*, by identifying target markets and actions to capture them;

(b) *Improving the marketing mix and diversifying the tourism product supply* - as the total free time increases in developed countries (as a result of demographic and legislative changes) and as developing countries and countries in transition become larger tourist-generators, the demand for differentiated tourism products increases;

(c) *Increasing the attractiveness of the product*;

(d) *Capturing niche markets* - in order to do so, a careful analysis of specific customer groups (e.g. by age or ethnic origin) in tourism-generating countries needs to be done. The latter can then develop products which cater for the specific needs, demands and lifestyles of these niche customers.

9. In order to increase average expenditure by tourists, countries, while taking into account their religious and cultural traditions, may consider changing the opening times of shops, so as to facilitate the access of tourists.

Moreover, they may considering developing the production of typical and differentiated products, such as handicrafts.

10. One of the main ways to expand tourism in developing countries is through regional cooperation mechanisms. Collaboration between neighbouring countries and regional partners in the field of tourism has been undertaken in recent years, particularly in the context of regional trade agreements. These initiatives enhance two types of tourism:

(a) *Intra-regional tourism.* Worldwide, the bulk of international tourism flows take place within the same region. However, developing countries have traditionally concentrated most of their efforts on the larger generating markets of developed countries. Only recently have they realized the potential of developing regional tourism and seriously targeted this market, with very positive results.

(b) *Extra-regional tourism.* This type of tourist flow is enhanced by mechanisms adopted jointly by regional partner countries, such as the development of joint regional circuits, regional air passes and joint promotional activities.

11. The experience of Spain - one of the most successful countries in international tourism development - may provide guidance to developing countries, many of which are in a similar situation to that of Spain 30 years ago. Spain's tourism development basically underwent two phases. The first phase relied on strong backing of the State, including through the creation of hotel and tourism schools, investment in infrastructure, promotion of the destination abroad, the provision of credits for tourism development projects and the establishment of the *paradores* network, which set an important benchmark for quality standards in the hospitality sector. During this initial phase, Spain had to deal with several of the problems which plague tourism suppliers from developing countries, such as the bankruptcy of tour operators; in order to tackle this problem, the country set up a guaranty fund. The second, and current, phase is characterized by a more focused role for the Government, the deregulation of transport (including air transport) and of tour operators, and the rise of domestic tourism, which has strengthened national tourism service suppliers and provided a counterweight to the power of tour operators.

B. Ways to increase the bargaining power of developing-country tourism service suppliers

12. The negotiating capacity of tourism service suppliers from developing countries is largely determined by the following factors:

(a) *Attractiveness of the country.* The more attractive the country, the stronger its negotiating capacity. The attractiveness of the country depends on the following factors:

(i) *Relative prices:* these, in turn, are strongly influenced by macroeconomic policy and fiscal policy. Macroeconomic policy (exchange rates and fiscal policies) can have a very strong impact on tourist flows. Overvalued exchange rates impair countries' competitiveness and reduce international tourist

flows. This has been a particularly acute problem for many Latin American countries recently. Fiscal policy in many developing countries places a heavy tax burden on tourism service suppliers (particularly small and medium-sized enterprises). While most Governments provide for tax and duty drawback paid by exporters of goods, this is usually not applied to exports of tourism services.

(ii) *Quality of tourism services:* this is increasingly demanded by international customers, so service suppliers in developing countries should pay attention to this factor. Enhancing the quality of the tourism product is also a way to improve its quality/price ratio. Suppliers of tourism services have to ensure the quality of all elements of the tourism product (including transportation, accommodation, personal services, etc.). Ideally, policies to enhance the quality of tourism services should be undertaken through cooperation between the public and private sectors. Improving the quality of tourism services was identified as a source of further growth in the sector in developing countries, enhancing their chances of achieving economic and environmental sustainability.

(iii) *Economic proximity vis-à-vis the main generating markets:* this factor includes the availability of transport (particularly air transport) to and from the country and the conditions attached to the supply of such services. In this respect, developing-country Governments should carefully analyse the relationship between tourism policies and transport policies, so as to ensure that they are complementary and mutually supportive.

(iv) *Image of the country:* a country's image is negatively affected by natural and man-made disasters. Travel warnings issued unilaterally by the Governments of the main generating markets, while aiming at the security of their nationals, tend to overemphasize the risks of destination countries and often remain in place after the causes that justified the warnings have been removed. Another related problem for some developing countries is the unilateral certification of airports in tourist-receiving countries, which may jeopardize air traffic to these countries (and, consequently, its tourist flows) and eventually affect the viability of these countries' airlines.

(v) *Resources and infrastructure:* these define the capacity of countries to absorb increasing flows of visitors using various means of transportation. Inadequate provision of these resources generates a poor first impression of tourist-receiving countries and often leads to the emergence of a few transport carriers in dominant positions in air and maritime services.

(b) *Degree of dependence on the main tourist-generating markets.* The promotion of both domestic and regional tourism can result in a strengthened bargaining position for tourism services suppliers from developing countries. Regional economic and trade integration schemes provide the framework for enhancing regional tourist flows. Experience has shown that international tourism development only becomes sustainable when domestic tourism accompanies international tourist flows.

(c) *Availability of information.* The position of suppliers would be greatly strengthened if they shared information on contractual conditions, given that there is often a situation in which a few organized buyers confront a large number of uncoordinated suppliers. Suppliers' associations could play a useful role in spreading this type of information. In other words, tourism service suppliers in developing countries should cooperate in order to compete. Moreover, tourism service suppliers also need access to information on the international market and the latest developments in it.

(d) *Domestic regulation.* This is necessary to prevent unfavourable clauses from being included in contracts (franchising contracts with import requirements, exclusive dealing, reservations without deposit, inadequate repayment periods and other examples were cited by various speakers).

(e) *Operating and negotiating capacity of local suppliers.* The negotiating power of local suppliers can be enhanced by policies to develop human resources, including those aimed at training in the use of new technologies.

C. Infrastructure

13. The availability of an infrastructure for tourism is an essential element of successful tourism development strategies. However, it is frequently an impediment to tourism expansion in countries where that infrastructure is deficient. This is particularly true in the case of the transport, hotel and telecommunications infrastructure. The main reason for deficiencies in infrastructure is the scarcity of public funds to finance projects, given that infrastructure projects have traditionally been the responsibility of the State. However, there are a number of ways to overcome the financing constraints facing States:

(a) *Financing by regional banks and by multilateral financial institutions.* Such financing can be used in a number of ways, including: (i) financing of public-sector projects, as has traditionally been the practice; (ii) provision of funds for private companies which operate public concessions; (iii) direct financing of projects developed by the private sector (though usually Governments are still required to provide guaranties).

(b) *Concession of services to private-sector operators, both domestic and international.* This option mobilizes private capital and therefore bypasses the issue of mobilization of public funds;

however, the assistance of the international community may be required in establishing the appropriate legal framework.

(c) *Build-operate-transfer policies.* Not only do these operations place no burden on public budgets, but they may also foster the participation of local communities in tourism flows and their benefits.

(d) *Foreign direct investment.* This can also be combined with some of the options mentioned above (e.g. concessions, build-operate-transfer operations).

D. Human resource development

14. Given the importance of the quality aspect of the tourism product and its labour intensity, the pool of human resources available for tourism in a given country is a fundamental factor in the successful development of this industry. It requires, *inter alia*, managerial, technical and language skills. Therefore, developing countries must mobilize and strongly develop their human resources in order to expand their exports of tourism services. This includes the establishment of technical, middle and higher-level schools of hotels, tourism operations and tourism management.

15. In order to develop their human resources for the tourism sectors, developing countries should receive technical assistance from the relevant international organizations. Moreover, international financial institutions should provide financing for human resource development and capacity-building programmes.

E. International standards in the tourism sector

16. Standards, which have traditionally been applied to industrial goods, may also cover services in general and tourism in particular. Consultations with the major stakeholders in the tourism sector and with consumer associations have revealed strong support for the development of international standards in this sector. They would offer a means of ensuring and assessing the quality of tourism services. Given the growing importance of the quality aspect of tourism, standards will be increasingly needed and applied by the industry.

17. The International Organization for Standardization (ISO) is in the process of developing international standards for tourism for their voluntary adoption by the international community. This process needs to be approached with caution, so as to avoid setting standards which could become barriers to trade in the tourism sector and impair the position of developing-country suppliers. To this end, article VI of the General Agreement on Trade in Services (GATS) on domestic regulation is being fully taken into account.

F. Competition issues

18. Anti-competitive practices appear to have a major impact on trade in tourism services and on the ability of developing countries to benefit from this trade. Therefore, they should be addressed by the international community and by national Governments, which should cooperate to this end.

19. Privatization policies should give attention to competition aspects, so that privatization does not result in the replacement of public monopolies by private ones engaging in anti-competitive practices.

20. As well as drawing attention to potential anti-competitive practices in the operation of public services, the experts repeatedly drew attention to several examples of private anti-competitive conduct, such as: (i) exclusive dealing clauses incorporated in contracts between tour operators and hotels in developing countries; (ii) clauses on import and supply requirements in franchising contracts; (iii) abuse of dominance resulting in significant entry barriers, such as the allocation of airport slots.

21. Competition issues have to be looked into when analysing access to global distribution systems and to air transport (e.g. the potential anti-competitive effects of the reduction in the number of airlines as a result of the consolidation, concentration and privatization of the air transport industry). National competition policies are needed and some multilateral mechanism is necessary to counter the effects on trade of mergers, cartels and abuse of dominance. Several experts saw this as a prerequisite for the further liberalization of air transport at the multilateral level.

G. The tourism sector in GATS

22. The tourism sector, as defined in the schedules of concessions incorporated into GATS, is subject to a high degree of liberalization, particularly under the commercial-presence and consumption-abroad modes of supply. Still, the coming round of multilateral negotiations will provide an opportunity for the refinement of the offers, the expansion of market access under other modes of supply and the incorporation of the necessary regulatory commitments.

23. The trend towards overall trade liberalization, including the liberalization of investment regimes, has been followed by increasing restrictions on the movement of people. The GATS schedules on tourism services contain many commitments on commercial presence, but less on the other modes of supply. The next round of multilateral negotiations on trade in services under GATS should aim at a comprehensive liberalization of all aspects of tourism services. This could be incorporated into a sectoral annex which would also provide disciplines on anti-competitive practices (access to information, fair and transparent use of global distribution systems, linkages between tourism and air transport, and security conditions for service contracts).

24. It is essential that international trade negotiators from developing countries, in formulating their negotiating positions, should collaborate closely with officials from national tourist authorities and experts from the private sector, so that the latter can provide them with a clear vision of tourism priorities and ensure the follow-up to the negotiating process.

25. At the international level, UNCTAD, the World Tourism Organization, the International Civil Aviation Organization and other relevant organizations have a crucial role to play in carrying out studies on the above-mentioned issues and in helping developing countries to prepare their negotiating position and participate effectively in the international negotiations on trade in tourism services. They should work in close collaboration, so as to ensure complementarity and avoid overlap.

H. Air transport

26. Air transport plays a crucial role in the development of tourism in developing countries, since it accounts for approximately 80 per cent of their tourist arrivals. In most cases there is no alternative to air transport to reach tourist destinations in developing countries. However, the lack of coherence between air transport and tourism policies can seriously erode the potential of those countries' tourism sectors.

27. The air transport industry is undergoing structural changes due to the processes of liberalization, privatization, internationalization, consolidation and concentration of air carriers. Many developing-country airlines are striving to adapt to this trend.

28. Liberalization is taking place at the bilateral and regional levels (including through "open skies" agreements). The fact that liberalization initiatives have taken place in the context of multilateral and regional agreements implies that it is restricted to certain areas and that a country may offer completely different conditions to other countries depending on the kind of agreement it has with each of them. The possibility of a multilateral liberalization of air transport has been studied, but no initiative has been taken to carry it through. Moreover, there appears to be little chance of progress in this direction in the near future.

29. With regard to the eventual liberalization of international air traffic, there is a divergent trend to restrict market access in domestic services (including cabotage), which creates an unfair competitive advantage for carriers from countries with large domestic markets. These carriers have often pursued international liberalization through the bilateral or regional route. Having increased their market access to international routes, while benefiting from protection in the domestic market, these countries' large carriers cross-subsidize their international operations through high air-fares in the domestic market. Such practices further increase their monopoly power, to the detriment of other competitors, and reduce the chances for the competitive development of internal tourism.

30. For developing countries facing the structural changes in the international air transport industry, the issue at stake is not whether they should or should not have national carriers, but rather whether it is in the interest of developing countries' Governments to keep subsidizing national carriers and be involved in their management. Developing countries could choose policy options to ensure an adequate density of air traffic as an alternative to protecting national carriers. These options include regional alliances, associations with major airline alliances, code-sharing, leasing, franchising, and contractual arrangements with other airlines.

31. There is a risk that air carriers which have acquired a dominant position in the market as a result of ongoing structural change will abuse their position. This may happen, for instance, when an airline or an alliance of carriers achieves a monopoly situation on given routes. To limit this risk, the development and enforcement of competition rules must accompany liberalization. The relationship between air transport and competition policy requires that developed countries should eliminate sectoral exemptions to air transport and

that adequate multilateral mechanisms should be in place to deal with the effects of abuse of dominance beyond the borders of the country in which airlines have their major place of business. Countries have to be vigilant in this respect.

32. The GATS Annex on Air Transport Services is due to be examined and possibly revised in the year 2000. Developing countries have to consider carefully all possible options, which may not all involve the full incorporation of the air transport sector into GATS, bearing in mind that the revision may deal with issues such as subsidies and anti-competitive practices. To develop a sound position, all domestic authorities with an interest in the issue (e.g. ministries of tourism, trade and finance, as well as air transport regulators) should be consulted, as well as the private sector, which is playing an increasingly crucial role in air transport. UNCTAD and the World Tourism Organization should assist developing countries in analysing the prevailing market and regulatory situation and in devising a range of options to be considered when formulating negotiating positions. This applies both to the forthcoming revision of the GATS Annex on Air Transport Services and to negotiations in other international forums.

33. Safety and security are a key issue. All efforts should be made to ensure that the new trends towards privatization and liberalization do not compromise safety and security.

34. In order to harness the forces driving the growth of tourism in developing countries, these countries should address the need to upgrade their infrastructure; develop their human resources in the field of air transport; initiate the deregulation and pro-competitive re-regulation of air transport, with the emphasis on the participation of the private sector and competition; and achieve economic and environmental sustainability by minimizing leakages and implementing quality standards at all levels of the supply chain.

I. Global distribution systems / Computer reservation systems

35. Global distribution systems/computer reservation systems (GDS/CRS) have become crucial in international tourism because of their increasing use as a distribution channel and marketing tool for tourism products. They cater for the needs of different segments of the market, including the management of air and land transport services, the hospitality sector and entertainment services, as well as other ancillary services which make the commercial transactions and risk coverage feasible. As a result, they have become increasingly important and are extensively used by all suppliers of tourism services, such as tour operators, travel agencies, restaurants, hotel chains and car rentals, small and medium-sized enterprises, and independent consumers of tourism products. GDS, however, are not the only way to enhance tourism promotion through electronic means. At the level of product and market analysis, for instance, local suppliers may find that marketing through the Internet may prove to be more effective in reaching their own markets than connecting to GDS.

36. Access to GDS is a critical variable in the business operations of developing-country tourism service suppliers. A study should be prepared on how to promote access to these systems and on the competition issues raised by access to them. Multilateral regulation of these matters should be considered, maybe as part of the sectoral annex on tourism.

37. There has been an enormous and increasing mass of electronic economic transactions as a result of the interface between GDS/CRS and other suppliers of tourism services and the Internet. Web sites are increasingly used to provide a virtual market place allowing independent travellers and suppliers to interact on-line to complete their transactions and payments for services, in many cases without intermediaries. The share of on-line income generated by electronic transactions will increase dramatically in the major originating countries. Forecasts point to a growth in the number of potential buyers from 25.3 million in 1996 to 71.9 million in 2002. As a result, it is expected that on-line income will increase from US$ 276 million to US$ 8.9 billion over the same period. It is predicted that 8.8 per cent of buyers of tourism will make their purchases on-line by 2002.

38. In the light of the increasing importance of GDS/CRS as a tool for marketing and trade efficiency, its development is a crucial element in the implementation of policies and strategies for tourism development. Efforts should be made to provide developing countries with effective and lower-cost access to them and to infrastructure, equipment and on-line services. Developing countries rely on the support of the international community for such access.

39. As has been said of the tourism sector in general and air transport in particular, human resources are extremely important in the operation of GDS and other electronic media. If full use is to be made of modern technology, people must be trained to master them and their application to marketing. Specific training programmes need to be provided by the public and private sectors, with the backing of the international community.

40. Some GDS owners and integrated suppliers still pursue some unfair practices, particularly with regard to the following: the neutrality of screen displays, which are sometimes biased in favour of integrated suppliers; restrictions in access to encryption algorithms for reasons of national security; and network facilities and the incompatibility of systems and technologies. Submitting GDS operations to effective multilateral disciplines and dispute-settlement mechanisms (e.g. during the next round of GATS negotiations) would have a substantial effect on trade and anti-competitive practices.

41. There have been examples of GDS/CRS being used to improve efficiency in the administrative procedures of immigration authorities. In Australia, for instance, an electronic travel authority system (allowing entry visas to be issued electronically by travel agents or airlines) and an advanced passenger processing system (to allow pre-clearance of passengers) have been developed. These systems are based upon an existing CRS and airline system interface, and when connected to a national immigration system they enable the immigration authority to speed up immigration-processing and reduce the cost of processing visas, while still maintaining border security.

III. ORGANIZATIONAL MATTERS

A. Convening of the Expert Meeting

1. In accordance with the recommendation made by the Commission on Trade in Goods and Services, and Commodities at the closing meeting of its second session on 21 November 1997,[1/] the Expert Meeting on Strengthening the Capacity for Expanding the Tourism Sector in Developing Countries, with Particular Focus on Tour Operators, Travel Agencies and Other Suppliers was held at the Palais des Nations, Geneva, from 8 to 10 June 1998. The meeting was opened on 8 June 1998 by Mr. Rubens Ricupero, Secretary-General of UNCTAD.

B. Election of officers

(Agenda item 1)

2. At its opening meeting, the Expert Meeting elected the following officers to serve on its Bureau:

Chairperson:	Mr. Federico Cuello (Dominican Republic)
Vice-Chairperson-cum-Rapporteur:	Mr. Joaquín de Arcenegui (Spain)

C. Adoption of the agenda

(Agenda item 2)

3. At the same meeting, the Expert Meeting adopted the provisional agenda circulated in TD/B/COM.1/EM.6/1. Accordingly, the agenda for the Meeting was as follows:

1. Election of officers
2. Adoption of the agenda
3. Strengthening the capacity for expanding the tourism sector in developing countries
4. Adoption of the outcome of the Meeting

[1/] See Report of the Commission on Trade in Goods and Services, and Commodities on its second session (TD/B/45/2-TD/B/COM.1/15), paragraph 33.

D. Documentation

4. For its consideration of the substantive agenda item (item 3), the Expert Meeting had before it a report by the UNCTAD secretariat entitled "International trade in tourism-related services: issues and options for developing countries" (TD/B/COM.1/EM.6/2).

E. Adoption of the outcome of the Meeting

(Agenda item 4)

5. At its closing meeting, on 8 June 1998, the Expert Meeting adopted the agreed conclusions reproduced in section I above, and authorized the Chairperson to prepare a summary of the Meeting (see section II above).

Annex

ATTENDANCE */

1. Experts from the following States members of UNCTAD attended the meeting:

Algeria
Argentina
Austria
Bangladesh
Botswana
Brazil
Burkina Faso
Burundi
Cambodia
China
Costa Rica
Côte d'Ivoire
Cuba
Cyprus
Czech Republic
Democratic Republic of the Congo
Dominican Republic
Egypt
Ethiopia
France
Germany
Ghana
Guatemala
Guinea
Guinea-Bissau
Honduras
India
Indonesia
Iran (Islamic Republic of)
Italy
Japan
Kenya
Lao People's Democratic Republic
Madagascar
Malaysia
Mexico
Mongolia
Morocco
Nepal
Nigeria
Peru
Philippines
Poland
Romania
Russian Federation
Saudi Arabia
Slovakia
South Africa
Spain
Sudan
Switzerland
Syrian Arab Republic
Thailand
The Former Yugoslav Republic of Macedonia
Trinidad and Tobago
Tunisia
Turkey
Uganda
United Kingdom of Great Britain and Northern Ireland
United States of America
Uruguay
Venezuela
Yemen
Zambia
Zimbabwe

2. The following intergovernmental organizations were represented at the meeting:

European Community
Latin American Economic System
Organization of African Unity
Permanent Secretariat of the General Treaty on Central American Economic Integration
World Tourism Organization

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*/ For the list of participants, see TD/B/COM.1/EM.6/INF.1.

3. The following specialized agencies and related organizations were represented at the meeting:

International Labour Organisation
International Civil Aviation Organization
World Trade Organization

4. The International Trade Centre UNCTAD/WTO was represented at the meeting.

5. The following non-governmental organizations were represented at the meeting:

General Category

World Confederation of Labour
World Federation of United Nations Associations

Panellists, resource persons and specially invited participants

Panellists

Mr. Luis Abugattás, Advisor, Chamber of Commerce and Industry, Lima, Peru
Mr. Charles Dudley, Economist, Economic Policy Section, Air Transport Bureau, International Civil Aviation Organization, Montreal, Canada
Mr. Francesco Frangialli, Secretary General, World Tourism Organization
Mr. Filipe Gonzales Abad, Director General, Savia Amadeus, Madrid, Spain
Mr. Geoffrey Lipman, President, World Travel and Tourism Council, London, United Kingdom
H.E. Mr. Slaheddine Mâaoui, Minister of Tourism of Tunisia
Mr. Roger J. Payne, Market Sector Manager, Travel Distribution and Government, Airlines Worldwide Telecommunications and Information Services, London, United Kingdom
M. François Vellas, Professor, University of Toulouse, France
Mr. Dawid de Villiers, Deputy Secretary General, World Tourism Organization and former Minister of Tourism of South Africa
Mr. Stephen Wheatcroft, Director, Aviation and Tourism International, London, United Kingdom

Resource persons

Mr. Henryk Handszuh, Chief, Quality of Tourism Development, World Tourism Organization
Mr. Roger Withers, Director, Tourism Partnership, United Kingdom
Mrs. Sophie Clivio, International Organization for Standardization, Geneva, Switzerland

Specially invited participants

Mr. Erye Edinval, Université Antilles Guyane, France
Mr. Alain Maurin, Université Antilles Guyane, France
Mr. Bernard Poirine, Professeur, Université Française du Pacifique, Tahiti
Mr. Carlos Santos, Professeur, Universidade dos Açores, Portugal
Mrs. Lucky Rochoux, Assistante, Université de la Réunion-France, St. Denis, Réunion
Mr. Jean-Yves Rochoux, Université de la Réunion-France, St. Denis, Réunion
Mr. François Ullmann, Consultant, HEXA, Geneva, Switzerland